

Message Text

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ACTION STR-04

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ACTION STR

E.O. 11652: N/A

TAGS: JA GATT MTN

SUBJECT: COMPENSATION NEGOTIATION WITH JAPAN

1. SUMMARY: WITH A GREAT DEAL OF CAUTION BEING DISPLAYED BY BOTH SIDES, FORMAL NEGOTIATIONS OPENED WITH JAPAN ON COMPENSATION ISSUES ARISING FROM US ARTICLE XIX ACTIONS TAKEN SINCE 1971, AND ON THE STATUS OF COMPENSATION DEBITS AND CREDITS ACCUMULATED SINCE THAT TIME. JAPANESE DE INDICATED THAT COMPENSATION ISSUES SHOULD BE DISCUSSED APART FROM THE MTN, THAT A SETTLEMENT ON COMPENSATION DUE FOR US ESCAPE CLAUSE ACTIONS, ESPECIALLY CERAMIC DINNERWARE, WAS OF POLITICAL IMPORTANCE. US DEL EMPHASIZD OUT- STANDING CREDITS DUE THE US WHICH COULD BE USED TO PARTIALLY OFFSET THE DEBIT FOR RADIAL BALL BEARINGS, AND OUTLINED THE US PROPOSAL FOR A SEPARATE PACKAGE WHICH WOULD REFINER DINNERWARE SUBPART OF THE TSUS. THE LATTER MET A DECIDEDLY SKEPTICAL RECEPTION. THE THREE-HOUR MEETING

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WAS BUSINESSLIKE, WITH BOTH SIDES EXCHANGING PRELIMINARY

DATA, AND ENDED WITH AN UNDERSTANDING TO RESURE IN
SEPTEMBER. END SUMMARY.

2. JAPANESE DEL (TERADA AND TAMORI OF JAPANESE PERMANENT
MISSION, AND KUSAKABE OF MITI) BEGAN BY RECALLING THE
PREVIOUS SETTLEMENT IN 1971, AND THE REASONS FOR THE
DELAYS IN REACHING A NEW BALANCE. TERADA NOTED IT IS
"NOT WISE" TO LEAVE ARTICLE XIX PROBLEMS UNRESOLVED FOR
LONG PERIODS SINCE SUCH DELAYS CAUSE "UNEASY CONDITIONS".
HE EMPHASIZED THE IMPORTANCE OF THE US MARKET FOR
JAPANESE EXPORTS OF BALL BEARINGS AND DINNERWARE, AND
EXPRESSED THE VIEW THAT NEGOTIATIONS MUST BE KEPT APART
FROM THE MTN. HW WAS ESPECIALLY CAREFUL TO EXCLUDE
SPECIALITY STEEL FROM THE SCOPE OF THE DISCUSSION.

3. US DEL (MANAMARA, MALISH AND HART) EXPRESSED
GENERAL AGREEMENT WITH MOST OF TERADA'S BASIC HISTORICAL
OBSERVATIONS, AND AGREED THAT SPECIALTY STEEL WAS NOT A
PART OF THESE NEGOTIATIONS. DRAWING ON APPROVED POSITION
PAPERS, MCNAMARA FIRST LAID GROUNDWORK FOR CONSIDERING
DINNERWARE SEPARATELY AND THEN PROVIDED JAPANESE DEL WITH
LIST OF ITEMS, BUT NOT TRADE VALUES, WHICH CONSTITUTED
US CREDITS TO COMPENSATE FOR BALL BEARINGS, STATING
THAT IF ANY FURTHER COMPENSATION WERE OWED, WE PROPOSED
SETTLING RESIDUAL DEBT IN THE MTN. MCNAMARA NOTED US
POLITICAL DIFFICULTIES IN GRANTING COMPENSATION SO
LONG AS JAPAN MAINTAINED GATT-ILLEGAL QUANTITATIVE
RESTRICTIONS, AND POINTED OUT THAT REGARDLESS OF US
PROPOSALS IN THE SAFEGUARDS AREA, THE US WOULD HONOR
PAST OBLIGATIONS. US DEL EMPHASIZED THAT, AS IN
1971, AN AGREED MINUTE OR MEMORANDUM OF UNDERSTANDING
WOULD BE DESIRED TO RECORD THE ULTIMATE AGREEMENT.
THE JAPANESE DEL APPEARED TO ACCEPT AN AGREED UPON
MINUTE AT THE CLOSE OF THE NEGOTIATIONS.

4. US DEL OUTLINED IN SOME DETAIL HISTORY AND EXTENT
OF US ESCAPE CLAUSE ACTION ON BALL BEARINGS.
AT CONCLUSION OF PRESENTATION, TAMORI ASKED IF THE DEL
COULD PROVIDE US PRODUCTION DATA FOR THE BALL BEARINGS
SINCE ESCAPE ACTION WAS TAKEN. US DEL REPLIED THAT
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SOME INFORMATION WOULD BE PROVIDED, THOUGH PRODUCTION
DATA WOULD NOT DISTINGUISH BETWEEN BEARINGS COVERED OR
NOT COVERED BY ESCAPE CLAUSE ACTION.

5. TAMORI PROVIDED US DEL WITH STATISTICS SHOWING
JAPANESE CONCEPT OF BALANCE SHEET WHICH CUMULATED TRADE AND
IMPORT DUTY DATA CONSTRUCTED FROM US TRADE FIGURES,
FOR THE PERIOD JANUARY 1972-JANUARY 1976. (THIS DATA

BEING HAND-CARRIED BY HART AND BEING SENT BY SEPARATE AIRGRAM.) CUMULATIVE BALANCE, AS CALCULATED BY JAPAN, SHOWS \$107.5 MILLION IN TRADE VALUE AND \$13.7 MILLION IN ADDITIONAL DUTIES COLLECTED AS AMOUNT FOR WHICH US OWES COMPENSATION FOR CERAMIC ARTICLES AND BALL BEARINGS THROUGH 1975. US CREDITS FOR COTTON TYPEWRITER RIBBON CLOTH, SHEET GLASS AND WILTON AND VELVET CARPETS SHOWN AS \$9.1 MILLION ON TRADE VALUE BASIS, AND \$0.5 MILLION ON DUTIES SAVED BASIS. US DEL NOTED THAT WE WOULD WANT TO STUDY THE DATA, AND WOULD CONFER ON THEIR STATISTICAL CORRECTNESS LATER.

6. IN SEPARATE DISCUSSION NCNAMARA DESCRIBED COMPLEXITY AND GROWING OBSOLESCENCE OF US DINNERWARE SCHEDULE, AND PROVIDED JAPANESE DEL WITH PROPOSED NEW NOMENCLATURE AND DUTY RATES, STATISTICS ON IMPORTS AND DUTIES COLLECTED ON IMPORTS FROM JAPAN, HE EMPHASIZED THAT BEFORE THE PACKAGE COULD BE IMPLEMENTED THE PROCEDURE REQUIRED BY THE TRADE ACT WOULD HAVE TO BE CARRIED OUT. US DEL NOTED THAT THE SIMPLIFICATION AS ENVISAGED WOULD BE OF CONSIDERABLE VALUE TO JAPAN AND WOULD RESULT IN PERMANENT CONCESSIONS DESIGNED TO COMPENSATE THAT SPECIFIC PORTION OF JAPANESE INDUSTRY AFFECTED BY THE US ESCAPE ACTION. JAPANESE DEL WAS OPENLY SKEPTICAL OF THE PROPOSAL, AND REPEATED SEVERAL TIMES THAT IT WAS DIFFICULT TO CONCEIVE OF A NOMENCLATURE REVISION CONSTITUTING A MEANS TO OFFSET PAST ESCAPE CLAUSE ACTIONS. MOREOVER, IT SEEMED LIKELY TO CONFUSE IN THE MTN A NEGOTIATION WHICH IN THE JAPANESE VIEW, SHOULD ONLY BE CONSIDERED AS A BILATERAL ISSUE.

7. US DEL URGED GOJ TO CAREFULLY STUDY THE DINNERWARE LIMITED OFFICIAL USE

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IDEA BEFORE REACTING TO IT. AFTER SEVERAL APPROACHES IN WHICH US HIGHLIGHTED THE VALUE OF THE PROPOSED REVISION WHICH CONTAINED DUTY REDUCTION. AND AFTER OFFERING THE HOPE OF SOME US PRESENTATIONAL FLEXIBILITY IF JAPAN HAD INTERNAL PROBLEMS WITH OBTAINING COMPENSATION AS PART OF AN MTN PACKAGE, THE JAPANESE DEL AGREED TO TAKE NOTE OF THE US CONTEMPLATED PROPOSAL AND EXAMINE ITS CONTENT.

AMONG LIST OF US CREDITS SUPPLIED TO THE JAPANESE DEL, THE US DEL HAD SHOWN THE US COMPENSATION ITEMS FOR STAINLESS STEEL TABLE FLATWARE, (DOLLS, STUFFED TOY ANIMALS, ETC.), AS A CREDIT DUE AFTER 30 SEPT 1976. AT CONCLUSION OF MEETING, KUSAKABE NOTED STAINLESS STEEL TABLE FLATWARE OMITTED FROM

JAPANESE CALCULATIONS AND ASKED IF US DEL COULD PROVIDE TRADE DATA ON IMPORTS OF FLATWARE OVER AND UNDER THE TARIFF-RATE QUOTA. HE WAS OBVIOUSLY INTERESTED IN WHETHER JAPAN WOULD OWE THE US ANYTHING AFTER TERMINATION OF THE TARIFF-RATE QUOTA.

9. MEETING ENDED WITH TERADA SUGGESTING NEXT SESSION AFTER THE SUMMER BREAK. BOTH DELEGATIONS INFORMALLY AGREED THAT SEPTEMBER WOULD LIKELY BE THE BEST TIME FOR THE NEXT MEETING.

10. COMMENT: MEETING WAS GENERALLY SUCCESSFUL FROM US VIEWPOINT. AN ITEM-BY-ITEM CALCULATION OF TRADE VALUES AND DUTIES WAS AVOIDED, ALTHOUGH JAPANESE STATISTICS APPEAR AT FIRST GLANCE TO BE GENERALLY IN THE BALL PARK AND (BECAUSE OF STATISTICAL ERROR MADE BY THE JAPANESE) MORE FAVORABLE TO US THAN OUR OWN COMPUTATIONS. US DINNERWARE SUGGESTION OBVIOUSLY CAUGHT JAPANESE OFF-GUARD AND THEY WERE SOMEWHAT TAKEN ABACK. THEIR IMMEDIATE REACTION WAS TO STATE THAT A FUTURE CHANGE IN US TARIFF SCHEDULES SHOULD BE TREATED AS A SEPARATE MATTER, NOT AS A PART OF A COMPENSATION NEGOTIATION. THEY SPOKE AT LENGTH OF THE POLITICAL INFLUENCE OF THE JAPANESE DINNERWARE INDUSTRY AND THE NEED TO OBTAIN COMPENSATION FOR THE US ESCAPE CLAUSE ACTION EVEN THOUGH BALL LIMITED OFFICIAL USE

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BEARINGS HAVE A CONSIDERABLY LARGER TRADE VALUE. THEY ALSO SEEM TO BE FACED WITH DOMESTIC PRESENTATIONAL PROBLEMS PLACING STRONG EMPHASIS ON OBTAINING AN AGREEMENT AS A SEPARATE PACKAGE APART FROM THE MTN. END COMMENT.WALKER

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